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GLL/2022-23/PNGRB/001

28th April, 2022

The Secretary

Petroleum and Natural Gas Regulatory Board

1st Floor World Trade Centre

Babar Road

New Delhi – 110001

Sub.: Comments / views on draft regulations for Registration for Establishing and Operating Liquefied Natural Gas (LNG) Terminals Regulations, 2022

Ref.: 1. Public Notice dtd.1st April, 2022.

2. Central Government (MOPNG) notification no. G.S.R. 805(E) dtd. 30th Oct., 2012.

Dear Madam,

GSPC LNG Limited (GLL) is promoted by Government of Gujarat, GSPC and other entities. The Company has set up the 5 MMTPA LNG receiving, storage and regasification terminal at Mundra, Kutch, Gujarat. The LNG terminal was successfully commissioned and started operations in February, 2020.

We have reviewed the draft regulations called PNGRB (Registration for Establishing & Operating Liquefied Natural Gas (LNG) Terminals) Regulations, 2022 (“**Draft LNG Terminal Regulations**”) that have been presently webhosted at the PNGRB website for comments. We are of the view that any such draft provisions or regulations should positively contribute in overall development of the gas market and aid in setting up of LNG infrastructure.

Our comments/ views on the draft regulations are as under:

1. **Regulation: (3) (1): Application for Registration:**

The draft regulation (3) (1) has reference to conditions prescribed by Central Government (MOPNG) notification number G.S.R. 805(E) dated 30th October 2012. The said notification in para 3 (a) on eligibility conditions for registration of LNG terminal lays down the condition that at all times after registration, to offer 20 percent of short term (less than 5 years contract) uncommitted regasification capacity or 0.5 MMTPA whichever is higher as common carrier capacity. GLL is of the view that this concept may be workable for transmission pipeline(s) and / or CGD business. However extending this logic to LNG terminals (which are highly capital intensive with revenues projected on certain payback assumptions) would mean a significant business risk and impact financial performance of LNG terminals. It should not happen that the capacities go unutilized leading to business loss for LNG terminals. The case in favour of open access for LNG terminals is that it promotes competition. However, in a developing market like India, the case for open access of LNG terminals may not have immediate merit as development of economically viable LNG facilities needs to be the priority.

At this stage the concept and operability of the proposed common carrier capacity is also not clear. The same needs to be elaborated further. In case if the uncommitted common carrier capacity is offered then detailed procedure should include provisions for slot reservation, incidental storage and proportionate offtake at uniform rate through send out pipelines so as to avoid any operational bottlenecks for the LNG terminal operator.

2. **Regulation: 3(2): The entity shall adhere Petroleum and Natural Gas Regulatory Board (Technical Standards and Specifications including Safety Standards for Liquefied Natural Gas Facilities) Regulations, 2018:**

The technical standards and specifications including safety standards for Liquefied Natural Gas facilities notified on 18th January, 2018 should act as guidelines for all the LNG terminals. The operational LNG terminals should endeavour to follow the



same to the best possible extent as a matter of good engineering practice. The existing LNG terminals also follow various Global LNG standards which are already in place and till date the LNG industry has had an impeccable track record of safety and prudent design principles.

3. **Regulation: 3(3): The entity shall submit detailed plan for evacuation of LNG / Regasified Natural Gas from its LNG terminal:**

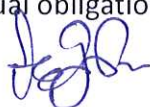
The LNG terminal operator can provide basic details of pipeline connectivity with the LNG terminal. However there are LNG terminals which operate on tolling basis and in such cases the onus of evacuation of LNG/ R-LNG is on the users of the LNG terminal and based on the location of users' end customer(s) the capacity utilization /offtake can vary.

4. **Regulation: (4) Application fee:**

GLL is of the view that there should be no application fee. In case, a fee is to be levied, then it should be a nominal one time token application fee only. There should be no other levy of recurring charges with any linkages. The new LNG terminals are facing challenging times and can do without such additional financial burden.

5. **Regulation: (5): Certificate of Registration:**

The Board shall issue a certificate of registration valid for 30 years with future extension in block of 10 years at a time. GLL is of the view that the economic life of an LNG terminal is generally more than 30 years. Concession Agreements have been executed by LNG terminal operators, wherein the LNG terminal operators have received land related rights for a period of 70 years through respective land lease agreements. The discretionary power given to the Board for granting further extension for a block of 10 years on terms and conditions it deems fit at that time (after 30 years) as per the proposed draft regulations may lead to an unquantifiable project risk for the LNG terminal. This shall also create business risks for the LNG terminal and impact its contractual obligations with various stakeholders.



Similarly, the need for submission of Bank Guarantee is not very clear as unlike bid out transmission pipeline projects or CGD Geographical areas there are no work commitments by the LNG developer. Submission of Bank Guarantee as per para 3 (c) of Central Government (MOPNG) notification number G.S.R. 805(E) dated 30th October 2012 for an amount equal to 1% of estimated project cost or Rs.25 Crores , whichever is less would lead to unnecessary additional financial burden on LNG terminals. There should be no requirement of such Bank Guarantee.

6. **Regulation: (6) Change of Ownership:**

GLL view is that the Board should register the change of ownership and issue the certificate in the name of the new owner within a time bound period. The business of the entity should not get impacted due to delay in issue of this certificate.

7. **Regulation: (7) Submission of Information:**

GLL welcomes sharing of information and transparency in the system which will lead to the growth of the natural gas/ LNG markets in India, subject to our views given in point no.1 on the applicability of common carrier capacity for LNG regasification terminals.

8. **Regulation: (8) Suspension or Termination of Certificate of Registration:**

The events leading to default under non-compliance of technical standards and specifications including safety standards could be subject to interpretation. The consequences of suspension or termination, other than revocation of Bank Guarantee, are not clear in the current draft. This shall also create huge business risks for the LNG terminal and impact its contractual obligations with various stakeholders.

With best regards,
Yours sincerely,



(Anil K. Joshi)
CEO